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SUBJECT: WIDESPREAD INTEREST IN INGA DAM DEVELOPMENT

Classified By: Econoff Peter Newman for reasons 1.4 b/d

1. (C) Summary: The Ministry of Energy continues to receive proposals for the development of Inga Dam. The most recent developments have been an MOU signed with Eskom of South Africa and negotiations with MagAlloy (with Reynolds Group participation). The MOU signed with Eskom is one step closer to the formalization of the Western Corridor (Westcor) project. It is not yet official and binding, awaiting Presidential approval. MagAlloy does not yet have an agreement with the GDRC but is negotiating for participation in a consortium for the rehabilitation of Inga I and Inga II in return for guaranteed supply to a potential magnesium smelter in Pointe Noire, Congo-Brazzaville. Reynolds Group is also currently in negotiations to participate in the consortium. End summary.

2. (C) DRC Minister of Energy Jean-Pierre Kalema Losona signed a MOU with Eskom (South African electricity parastatal) for the Western Corridor (Westcor) development project in mid-October. (Note: Westcor is a international group formed by the electricity companies of the RSA, Botswana, Namibia, Angola, and the DRC. Its objective is the development of Inga to export electricity to Southern Africa. End note.) The MOU concerns only the future development of Inga III and Grand Inga. Inga III would bring the system's total installed capacity to 3,500 MW, while Grand Inga, though only a possibility in the very long-term, would raise the installed capacity to 40,000 MW. The MOU has an exit clause that was written to allow for annulment of the MOU with 30 days notice (NFI). The MOU is not official and binding as far as the GDRC is concerned, until the Economic and Finance Commission (EcoFin) and President Kabila sign off.

3. (SBU) The Ministry of Energy is attempting to corral all players in the rehabilitation of the pre-existing Inga I and Inga II dams into one consortium. Reynolds Group (with partner Rusal) and MagAlloy are now jointly pursuing an agreement for rehabilitation of Inga I and II with SNEL (National Electric Company) and the Ministry of Energy in exchange for dedicated lines to their potential metal plants in Pointe Noire. Ambassador Herman Cohen, acting as a consultant to Reynolds Group, indicated to econoff that Reynolds and MagAlloy will commence negotiations on Nov 22 to work out a joint approach to SNEL. They are willing to rehabilitate eight turbines at Inga but need to negotiate a long-term electricity price to make the project viable. MagAlloy will need 175 MW and Reynolds will need 500 MW.

4. (SBU) MagAlloy recently issued a press release stating that it has signed a preliminary agreement with SNEL (National Electric Company). Reynolds and MagAlloy have also taken on SNC-Lavalin (a Canadian electric engineering firm), Eskom (RSA), Fluor Daniels, Trans Africa Projects (RSA) and the IDC as partners. Ambassador Cohen indicated that the group hopes to have an agreement with SNEL by the end of 2004. (Note: Any deal would have to be approved by the EcoFin and the President. Furthermore, the Ministry of Energy is planning an international conference on Inga Dam for December 2004 where it will consider various proposals for Inga I and Inga II rehabilitation. End note.)

5. (C) Comment: Eskom and SNC-Lavalin are well positioned to have their proposal approved to develop the Inga Dam system. They have strong support in the Presidency and will likely try to hinder the entry of other energy firms. Reynolds and MagAlloy are in a more difficult position and it may well be necessary for them eventually to include Eskom and SNC-Lavalin as partners in order to have their proposals favorably considered. End comment.
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